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FISCAL IMPACT STATEMENT

LS 7454

BILL NUMBER: SB 281

NOTE PREPARED: Feb 18, 2005

BILL AMENDED: Feb 17, 2005

SUBJECT: Public School Transfer Program.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Public School Transfers:* This bill establishes a public school transfer program, allowing the parent of a student to request a transfer for the student to enroll in: (1) a different public school in the student's base school corporation; or (2) a public school in a different school corporation. It provides an allocation of public funds for transfer students between the base school corporation and the receiving school corporation, and provides that the parent is responsible for transportation and any additional costs. The bill allows school corporations to enter into an interlocal agreement under which students may attend school in another school corporation. It also allows a student who has legal settlement in a school corporation and whose parent owns property for which the parent pays property tax in another school corporation to attend school in the school corporation in which the parent owns property without transfer tuition being charged.

Transfer Tuition: This bill provides that a student who is placed in a facility, a home, or an institution may attend school in the school corporation in which the facility, home, or institution is located, and that the state is required to pay transfer tuition for the student if no other person or entity is required to pay the student's transfer tuition.

Annual Report: The bill requires a school corporation to provide notice to parents concerning the publication of the school corporation's annual performance report.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) *Transfer Tuition:* The impact would depend on the number of students that are currently placed in a public care facility, childcare facility, or foster family home and there

is no person or entity required to pay the student's transfer tuition. The primary students covered are students where a court terminates the parental rights and places the students in a facility in another school corporation, but no guardian or parent is identifiable. The number of additional students for whom the state would be required to pay transfer tuition is unknown. The impact would depend on the number of students and the transfer tuition cost per student. The Department of Education estimates that the bill might qualify an additional 30 students for state transfer tuition. For the 2003-2004 school year, the state paid \$37,326 in transfer tuition payments and reverted \$162,624. The cost of the additional 30 students would be \$30,000 annually, assuming a cost of \$1,000 above the school formula revenue.

Background: Transfer tuition is paid on the daily costs of the school programs that serve the transfer students. Transfer tuition is approximately equal to the school's general fund expenditures per ADM, but could vary within the school depending on the programs serving the student. Special education and vocational education programs have higher transfer tuition cost than elementary education programs.

School corporations of legal settlement are required to pay transfer tuition if a student is placed in a state licensed private or public health care facility, childcare facility, or foster family home by the Division of Family and Children, court order, or child-placing agency licensed by the Division of Family and Children. A school is also responsible for transfer tuition if the placement is recommended by a physician and is for more than 14 consecutive calendar days or an aggregate of 20 calendar days.

The state is responsible for transfer tuition for students placed in an institution operated by the Division of Family and Children or the Division of Mental Health and Addiction or in an institution, a public or private facility, a home, a group home, or an alternative family setting by the Division of Disability, Aging, and Rehabilitative Services or the Division of Mental Health and Addiction.

Public School Transfers: The provisions of this bill are not likely to affect the amount of funding that is generated by the school funding formula since students who transfer to a different school corporation will still be counted as a member of the school corporation from which the student originated (the base corporation). The school formula for CY 2007 is unknown so the discussion of the impact will use the CY 2005 simulation.

The overall effects of this bill will depend upon the decisions made by the parents of the children who are currently enrolled in the state's public schools. The reported K-12 student Average Daily Membership (ADM) for the 2004 - 2005 school year is estimated to be 981,811. Each pupil would be eligible. The number of pupils who participate in this program will depend upon the satisfaction of the parent and the child with the child's current school experience, the availability of other programs in either the same school corporation or another school corporation, the ability of the parent to pay for any difference in tuition, and the willingness of superintendents and principals of school corporations to accept pupils from other school corporations.

The administrative costs for the Department of Education and the Department of Revenue can probably covered within their existing budget.

Impact of Transfer if Parent Owns Property in School District: The bill allows a student to enroll in a school other than the one in which the student has legal settlement if the parent owns property in the school district the student would attend. The number of students that might be allowed to transfer without paying transfer tuition by the sending school or the parent is unknown. The impact on the state would depend on whether the transfer generated an increase in funding of the school formula. The state impact could vary from an average saving of about \$5,762 per student to an average cost of about \$5,762 per student.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Public School Transfers:* This bill could affect both the operations and revenues of school corporations who lose students and those school corporations who gain students under the Public Elementary and Secondary School Transfer Program. Since the transfer of students requires the approval of both the superintendent and principal that enroll the students, it is possible that no significant changes would occur if they might disrupt school operations or require significant additions of staff and capital facilities for the school enrolling the students.

Local schools could have increased administrative expense associated with notifying parents of their right to transfer their child and of the availability of the school Annual Performance Report. The additional expense would probably be minor.

Effects on Base School Corporations: If school children leave the base corporation and enroll in another school corporation, the base school corporation would lose the state support and school general fund state property tax replacement credits that it receives for the student. Based on estimated state aid projections for the 2005 calendar year, the revenue loss could range from \$2,920 to \$14,478 per student.

If the school corporation loses sufficient students, it could reduce staff and possibly facilities. If a significant number of children remain in the base corporation but move to a different school within that corporation, the school corporation may need to rearrange classroom space, transfer teachers, and make other adjustments to accommodate the shift in students.

Effects on Public School Corporations to which Pupils Transfer: Since each student who transfers would be permitted to receive one-half of the state assistance per ADM from their base school corporation, the student's transfer tuition would range from \$2,920 to \$14,478. Based on CY 2005 estimated tuition support, the average transfer tuition per student would be an estimated \$4,485.

Parents of the transferring pupils are responsible for the difference between the costs of attending the school and the transfer tuition.

School corporations would also need to meet annually with the parents of the transferred student to discuss the student's progress and to determine whether the student's transfer tuition may be renewed for the following year.

The bill provides that if adjoining school corporations enter into an interlocal agreement under which students may attend school in the adjoining school corporations, the terms of the interlocal agreement, rather than transfer tuition statutes, govern the payment. The interlocal agreement may be a savings to the school sending the student to the other school corporation. The impact would depend on the number of schools entering into the agreements.

Annual Report: The bill requires a school corporation to provide notice to parents concerning the publication of the school corporation's annual performance report. This will have a minimal impact on administrative expenses.

Explanation of Local Revenues: *Impact of Transfer If Parent Owns Property in School:* The bill allows a student to enroll in a school other than the one the student has legal settlement if the parent owns property in

the school district the student would attend. The number of students that might be allowed to transfer without paying transfer tuition by the sending school or the parent is unknown. The school would lose possible transfer tuition revenue that would have been paid by the parent or sending school.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local School Corporations.

Information Sources:

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